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Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
Parliament House
Via email: rrat.sen@aph.gov.au

Dear Committee Secretary

The ACT Government welcomes the opportunity to contribute to the Committee's inquiry into the state of Australia's aviation sector and its capacity to deliver reliable and affordable services to rural, regional and remote communities. This submission addresses areas of the Terms of Reference most relevant to the Territory and complements the earlier submission regarding Qantas's decision to close its regional bases in Canberra, Hobart and Mildura.

Canberra's Regional Aviation Role

Canberra Airport serves a regional catchment of nearly 900,000 people across the Snowy Mountains, South Coast and Southern Tablelands. As the national capital, Canberra is a critical node in Australia's transport network, supporting government, diplomatic, cultural and business activity.

Reliable and affordable aviation is essential to the ACT and surrounding NSW communities, underpinning tourism, business, education and regional liveability. Increased regional aviation capacity delivers broader economic benefits, including:

- improved access to essential services.
- stronger regional mobility and connectivity.
- enhanced opportunities for communities to participate in national markets.

Growth in regional aviation strengthens the economic resilience of surrounding towns by supporting employment, facilitating interregional travel, and enabling faster movement of people and goods. It also makes a significant contribution to the liveability of regional areas.

Tourism and Economic Development

In December 2025, the ACT Government released its updated tourism strategy, *T2030 – ACT Tourism Strategy Phase Two, 2025 and beyond*, which sets the direction to grow the value of the visitor economy in the ACT by an additional \$1 billion by 2030.

Central to achieving this goal is making it cheaper and easier to get to Canberra by air. Expanding the number of destinations connected directly to Canberra assists with diversifying markets, reducing reliance on drive travel, and enabling more people to experience Canberra and the region. Strengthening connectivity to regional Australia is a key priority of the strategy.

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Efforts to support competition, reliable access, and affordability of regional aviation will make an important contribution to expanding regional connectivity into Canberra.

Competitiveness of Regional Aviation

The collapse of Bonza and the suspension of Rex services highlights the challenges of delivering profitable regional aviation services. Their exit from the market has reduced choice for consumers, disconnected communities and has led to an overall reduction in competition.

For major carriers, markets need to be of sufficient size to provide services with meaningful frequency and reliability. Canberra supports two small aviation companies providing important connections to regional Australia: Link Airways and Fly Pelican. These airlines provide services to Newcastle, Hobart and Coffs Harbour and continue to explore new opportunities.

Working with the ACT Government and Canberra Airport provides avenues to create partnerships that support new route start-ups. The sustainability of services delivered by Link and Fly Pelican adds important competition to the market and, in some instances, the capacity for smaller carriers to compete on routes with major carriers. For example, the Canberra-Hobart route serviced by both Link Airways and QantasLink has proven sustainable.

Recommendation:

Consider mechanisms to support sustainability of companies like Link Airways and Fly Pelican to open new services and remain profitable on existing routes. This could include:

- investigating options for subsidies for Federally mandated fees and charges to offset operating costs.
- exploring targeted support for new route development.

Affordability: Taxes, Fees, Levies and Charges

Canberra faces additional challenges as a hub connecting regional communities, with disproportionately high airfares distorted by government and business travel. This limits tourism, business investment and access for surrounding NSW communities. In many instances, the leisure market is priced out of choosing Canberra as a destination because of airfare costs.

These pricing pressures not only affect tourism but also constrain local business activity, limiting the ability of small and medium enterprises to trade efficiently, attend interstate markets, or attract new commercial partnerships.

The ACT supports the Productivity Commission's inquiry into regional airfares investigating why regional airfares are higher than those into major cities.

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Recommendation:

It is recommended the Committee support measures to reduce regional airfares, including:

- transparent pricing and encouraging competition.
- ensuring airfare pricing issues Canberra experiences as a regional hub are addressed through this work.
- investigating how Federally mandated fees, taxes and charges are equitably distributed.
 - For example, security and regulatory charges often fall unevenly across airports, with smaller airports incurring higher per-passenger costs. A more equitable national model would reduce distortions in regional fares and support sustainable operations.

Policy and Measures to Support Regional Services

The ACT Government recommends continued work to deliver Sydney Airport slot reform, which can benefit regional aviation by improving access to and from Australia's largest aviation hub.

Peak-time slots are dominated by major airlines, limiting regional carriers' ability to schedule flights that align with connecting services. In some instances, passengers are forced to stay overnight at major hubs before accessing onward connections, further adding to the cost of travel.

Recommendation:

Continue the work to provide easier access for regional carriers and regional routes to secure convenient times, reducing layovers and improving travel efficiency. This enhances affordability and reliability for regional passengers, supports tourism and business travel, and strengthens economic links between regional towns and major cities like Canberra.

Other matters

Sustainable Aviation

While the ACT Government notes the rate of transition is impacted by global demand for new aircraft, a committed focus on the transition to more fuel-efficient aircraft will support the affordability and accessibility of regional services.

The transition to a sustainable aviation future is also an opportunity to grow regional jobs in aviation and attract skilled workers across multiple sectors, as regional centres and their airports offer opportunities for Sustainable Aviation Fuel (SAF) industry development, including testing, production and integration into domestic travel networks.

The Canberra region provides a unique opportunity in this regard, with close links to regional areas with feedstock capability, Canberra's knowledge economy and R&D base, and a modern sustainable airport.

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Consumer protections

The ACT Government supports the Commonwealth Government's work to establish a consumer ombuds scheme, which will provide additional protections and better outcomes for air travellers, including regional consumers.

Conclusion

As the National capital and a key regional hub, Canberra requires a stable and competitive aviation sector, one that enhances liveability and economic opportunity, reinforces the reliability of supply chains, supports local business growth and ensures the region remains attractive to skilled workers and investors.

The ACT Government supports the work of the Committee to advance measures that preserve regional capability, improve affordability and reliability, and recognise Canberra's strategic national role in regional aviation development.

Thank you for the opportunity to provide this submission.

Yours sincerely



Andrew Barr MLA
Chief Minister

20 January 2026

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